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26 July 1955

Copy No. 33

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 29
NO CHANGE IN CLASS. ☒
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 11/1/80 REVIEWER:

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

State Dept. review completed

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FAR EAST**1. Communist China about to establish diplomatic relations with Nepal:**

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The Chinese Communist ambassador to India is reported to have left for Katmandu on 25 July to arrange for the establishment of diplomatic relations between Communist China and Nepal. The Nepalese chargé in New Delhi believes that the question of chanceries in Katmandu and Peiping will not be raised in these negotiations, which he expects to last only a few days.

Comment: In the past few months the Chinese Communists have again been pressing for the establishment of diplomatic relations with Nepal, and they are unlikely to be satisfied for long without installing a mission in Katmandu.

India, which dominates Nepal's foreign relations, has in the past been reluctant to permit the Nepalese to enter into relations with China. Nehru recently indicated to the Nepalese ambassador that he does not want a Chinese mission in Katmandu. In the current atmosphere of decreasing world tension, however, Nehru probably feels he cannot fend off Chinese requests any longer.

SOUTHEAST ASIA**2. Fall of Indonesian government analyzed:**

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The American ambassador in Djakarta sees three major factors in the resignation of Premier Ali Sastroamidjojo's government:

(a) the army-cabinet impasse over the chief-of-staff problem;

(b) the increasing concern over the government's neglect of the country's deteriorating economy; and

(c) the growing dissatisfaction with the drift toward Communism as seen in Ali's and President Sukarno's opportunistic collaboration with the Communists.

The ambassador believes the fall of the Ali cabinet and the lessons of the army crisis will bring Indonesia back to an "even keel."

Comment: While there had been signs of growing discontent with the Ali government, it would probably not have fallen if there had been no chief-of-staff problem.

The Ali cabinet will carry on in a caretaker capacity until a new cabinet is formed. In the past, formation of a new cabinet has required from five to ten weeks.

3. Singapore chief minister threatens to resign:

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The chief minister of Singapore's first locally elected government, David Marshall, has threatened to resign unless London orders the governor of Singapore to accept Marshall's advice rather than merely "consult" him, as required by the constitution. A motion to this effect is now before the Singapore assembly.

The American consul general believes that if Marshall resigns and a new election is held, the resulting government would be further to the left than the present one.

Marshall told the consul he advanced the motion in an effort to seize the initiative from the Communist-front People's Action Party, which is capitalizing on the frustrations of the government ministers.

Comment: The avowed intention of the People's Action Party is to unseat Marshall's Labor Front government and make new elections necessary. The party has provoked a series of strikes and has used student unrest to keep Marshall off balance almost continuously since his government was elected last April.

Marshall's drastic action apparently is an effort to maintain his popular appeal and to counter pressure from the People's Action Party--whether he continues in office or stands again for election.

SOUTH ASIA

4. Comment on India's request to Portugal to close its legation in New Delhi:

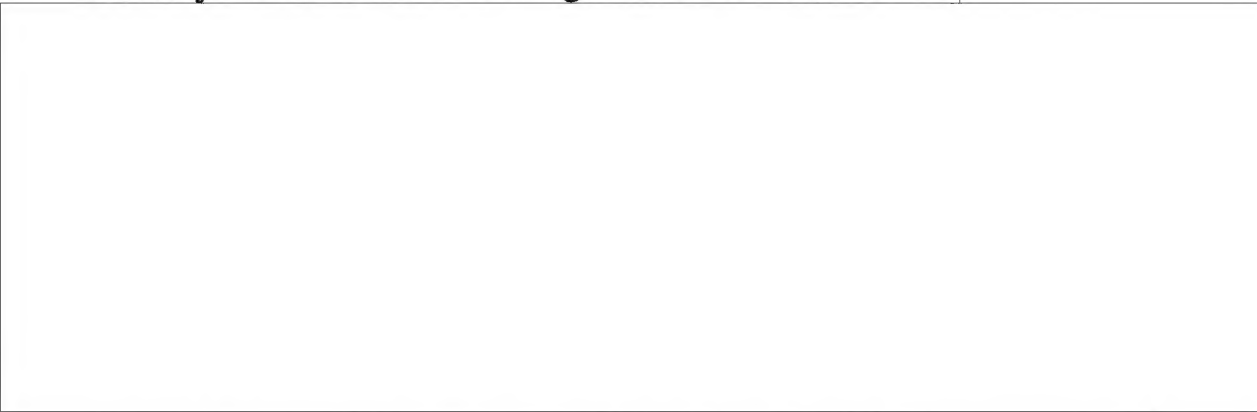


India's request to Portugal to close its legation in New Delhi by 8 August because of the Portuguese refusal to negotiate over Goa probably does not fore-shadow overt aggression by India against Portuguese enclaves. Nehru is anxious to maintain his role as peacemaker in the Formosa Straits and Indochina.

India's action is aimed at inducing Portugal to cede its territories on the subcontinent, but the closing of the legation does not mean a break in diplomatic relations. India closed its legation in Lisbon in June 1953 over this same issue.

In spite of political agitation in India for more energetic action against Goa, the Congress Party Working Committee passed a resolution on 23 July emphasizing that all efforts to bring Goa into the Indian union must be peaceful and that there should be no mass entry into Goa. This suggests that the march of thousands of Indians proposed for 15 August may actually turn out to be an insignificant demonstration.

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